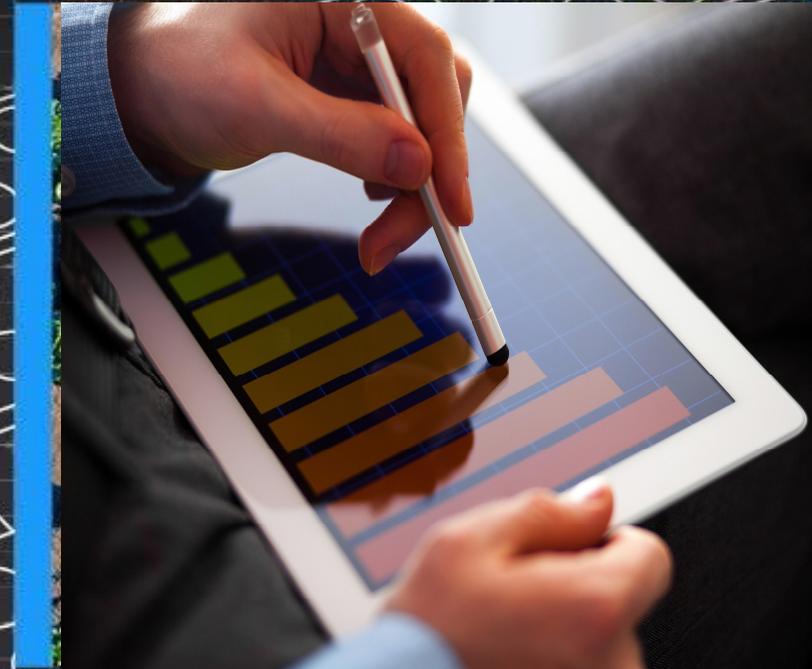


New Revenue Tools Study

Executive Summary

City of Mississauga



New Revenue Tools Study – City of Mississauga

9.16

- 1 Summary of Key Findings
- 2 Introduction and Approach
- 3 Summary Jurisdictional Scan
- 4 Analysis Of Revenue Tools

NOTICE

Ernst & Young LLP (EY) prepared the attached report only for the City of Mississauga (“The City” “Client”) pursuant to an agreement solely between EY and Client. EY did not perform its services on behalf of or to serve the needs of any other person or entity. Accordingly, EY expressly disclaims any duties or obligations to any other person or entity based on its use of the attached report. Any other person or entity must perform its own due diligence inquiries and procedures for all purposes, including, but not limited to, satisfying itself as to the financial condition and control environment of The City and any of its funded operations, as well as the appropriateness of the accounting for any particular situation addressed by the report.

While EY undertook a thorough review of potential revenue tools per the terms of agreement, EY did not express any form of assurance on accounting matters, financial statements, any financial or other information or internal controls. EY did not conclude on the appropriate accounting treatment based on specific facts or recommend which accounting policy/treatment The City or any funded operations should select or adopt. EY also did not express an opinion on the appropriateness of implementing any of the revenue tools in this document.

The observations relating to all matters that EY provided to The City were designed to assist The City in reaching its own conclusions and do not constitute EY’s concurrence with or support of Client’s accounting or reporting or any other matters.

Summary of Key Findings



Key Findings

9.16

- 1 Mississauga is generating less revenue per capita when compared to benchmarked municipalities, suggesting that the City has room to grow its total revenue
The Municipal Act constrains the sources of revenue available to Mississauga; given the same authority the City of
- 2 Toronto has would greatly expand Mississauga’s ability to raise new revenues and provides a rationale for seeking this specific set of tools (i.e. equal treatment with the City of Toronto)
- 3 For many revenue tools (both within existing authority and requiring new authority), a regional approach is needed to maximize revenue

Revenue Tools Considered by Authority Required

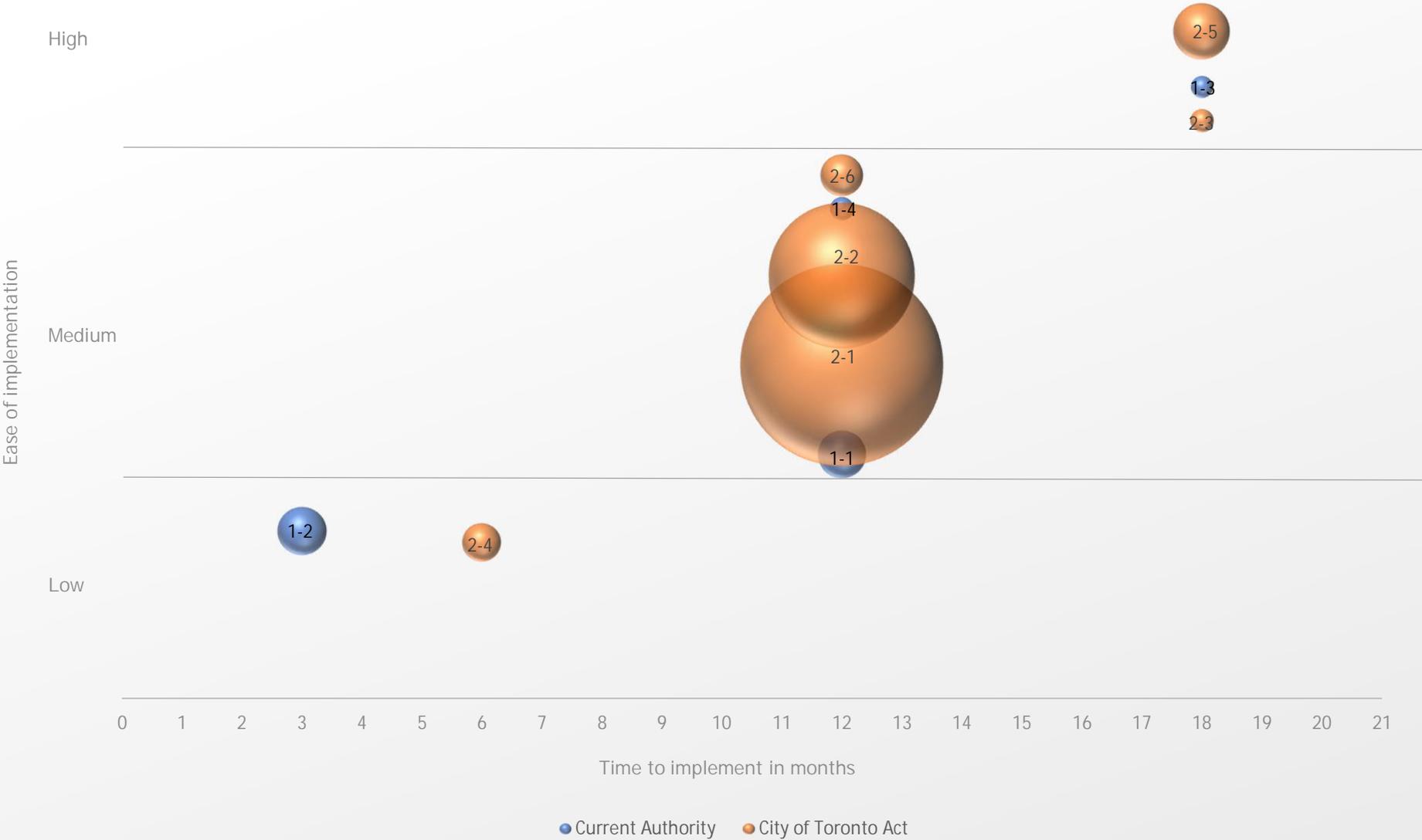
| Current Authority | | City of Toronto Act | | Additional Legislative Change | |
|-------------------|---------------------------------|---------------------|--------------------------|-------------------------------|-------------------------|
| 1-1 | Vacant Homes Tax | 2-1 | Land Transfer Tax | Non-Resident Speculation Tax | Single Use Plastics Tax |
| 1-2 | Incremental Property Tax Levies | 2-2 | Vehicle Registration Tax | Gaming Revenues | Road Use Pricing |
| 1-3 | Landfill Levy | 2-3 | Amusement Tax | Climate Mitigation Tax | Poll Tax |
| 1-4 | Ride Sharing Fees | 2-4 | Advertising Tax | Energy Mitigation Program | Sales Taxes |
| | | 2-5 | Alcoholic Beverage Tax | Parking Tax | Payroll Tax |
| | | 2-6 | Tobacco Taxes | Fuel Tax | Municipal Income Tax |
| | | | | Food Waste Tax | |

Conducted detailed analysis, including financial estimates and implementation challenges

Conducted preliminary analysis only (no financial estimates)

High Level View Of Revenue Tools

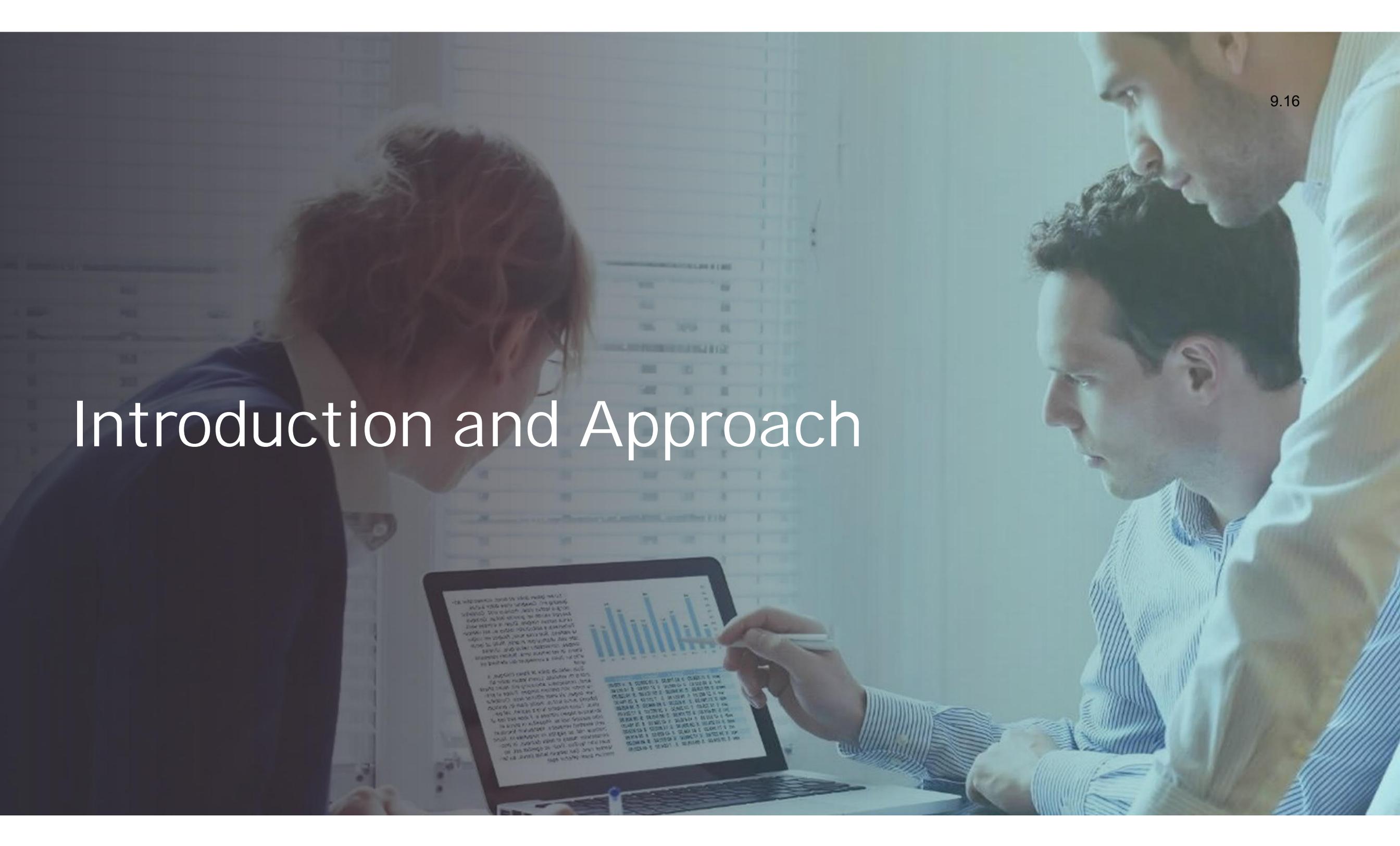
Of the revenue tools analyzed, the Land Transfer Tax and Vehicle Registration Tax have the highest potential revenue generating capacity by a significant margin.



| Potential revenue tools | |
|-------------------------|---------------------------------|
| Current Authority | |
| 1-1 | Vacant Homes Tax |
| 1-2 | Incremental Property Tax Levies |
| 1-3 | Landfill Levy |
| 1-4 | Ride Sharing Fees |
| City of Toronto Act | |
| 2-1 | Land Transfer Tax |
| 2-2 | Vehicle Registration Tax |
| 2-3 | Amusement Tax |
| 2-4 | Advertising Tax |
| 2-5 | Alcoholic Beverage Tax |
| 2-6 | Tobacco Taxes |

Note: Size of bubble indicates potential dollar value (see page 15). All financial estimates are preliminary, subject to revision and could change significantly.

Introduction and Approach



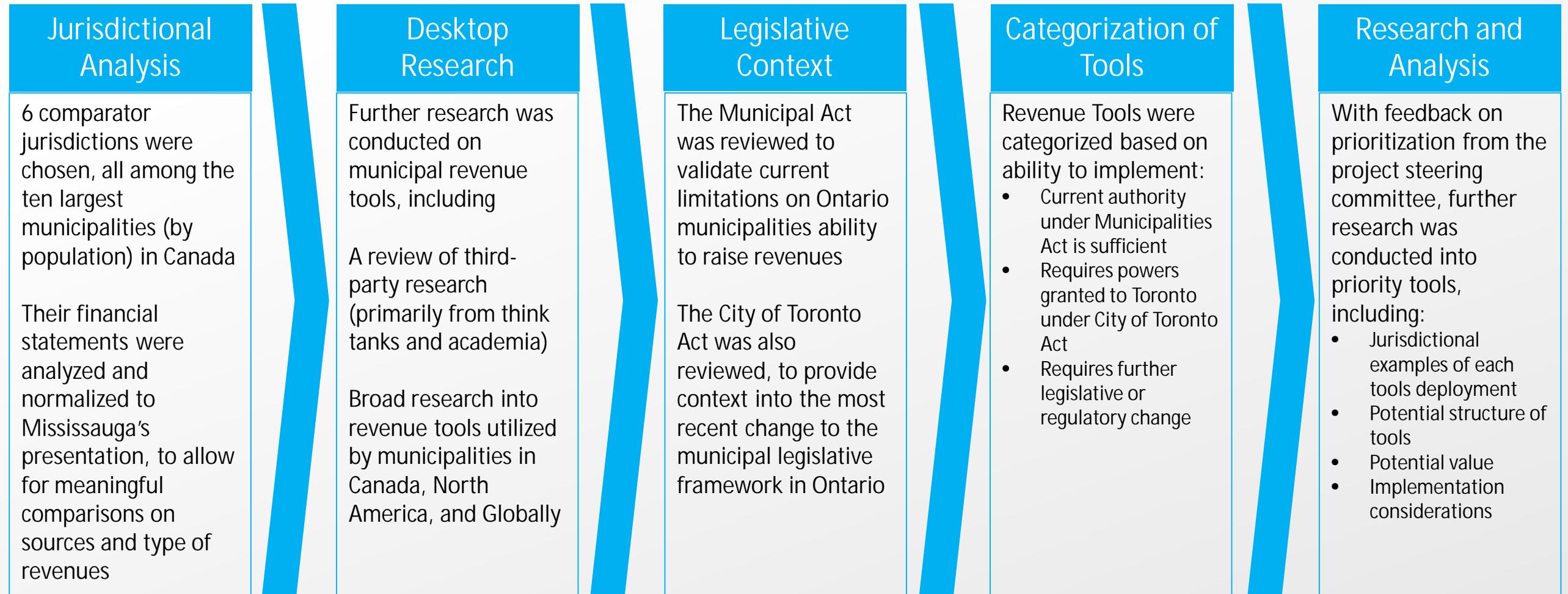
Introduction

9.16

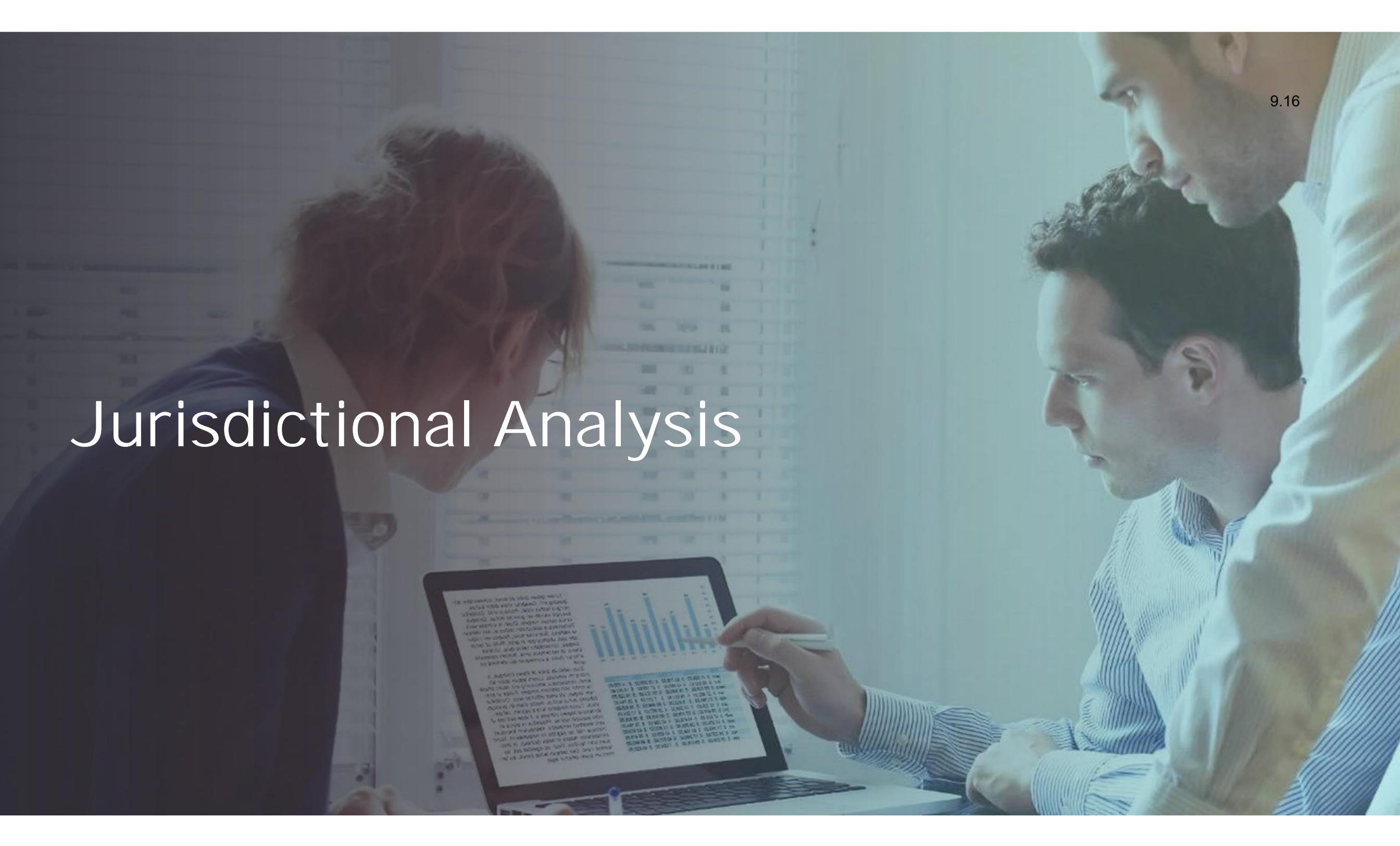
- Historic and projected growth have put pressure on the City of Mississauga's finances
- The ability to raise revenue has not kept up with City's growth and evolution
 - The Municipal Act in Ontario limits the ability of municipalities to raise revenue, with only the City of Toronto having been provided some limited flexibility to use incremental revenue tools
- This report focuses on potential revenue tools available to the City of Mississauga and provides first-order estimates of their revenue raising potential and a description of the current barriers to implementation (including legislative); it also considers additional implementation considerations, including the potential impact on residents and businesses and the importance of regional co-operation for optimal outcomes
 - Revenue estimates do not take into account potential behavioral changes, and should be viewed as preliminary and directional in nature only.
- The report focuses on those tools currently available to the City and those that would be available if Mississauga were given the same revenue tools defined in the City of Toronto act
- The report does not make any recommendations as to the appropriateness of any of these tools, but seeks to provide City Staff and Council an information base with which to inform decision-making

Approach

The work underpinning this report was conducted through a multi-stage approach that narrowed the focus to those^{9.16} revenue tools that are implementable under current authority, or would be if Mississauga had the same powers as the City of Toronto.



Jurisdictional Analysis



Jurisdictional Analysis | Key Metrics[^]

9.16

1 Mississauga is generating less revenue per capita when compared to benchmarked municipalities, suggesting that the City has room to grow its total revenue

| Category | Mississauga (Rank in brackets) | Toronto | Brampton | Hamilton | Calgary | Montreal | Vancouver | Average | Average Excluding Toronto** |
|---|-----------------------------------|--------------|-------------|-------------|-------------|--------------|-------------|-------------|-----------------------------|
| Type of municipality | Lower Tier | Single tier | Lower Tier | Single tier | Single tier | Single tier | Single tier | N/A | N/A |
| Population | 757,787 (4) | 2,956,024 | 643,302 | 579,000 | 1,285,711 | 2,050,053 | 685,885 | 1,279,680 | 1,000,290 |
| Annual Pop. growth rate (2015-19) | 0.49% (7) | 1.57% | 4.67% | 1.26% | 1.10% | 0.65% | 1.47% | 1.60% | 1.61% |
| Revenue* | \$2,605,340 (4) | \$14,383,000 | \$2,281,355 | \$1,997,089 | \$5,243,892 | \$8,090,466 | \$1,966,836 | \$5,223,996 | \$3,697,496 |
| Revenue per Capita* | \$3,205 (6) | \$4,851 | \$3,273 | \$3,449 | \$4,078 | \$3,946 | \$2,867 | \$3,667 | \$3,470 |
| Annual Gross Operating Expenditures* ¹ | \$2,184,727 (6) | \$13,469,000 | \$1,849,841 | \$1,808,200 | \$4,525,000 | \$5,705,100 | \$1,851,000 | \$4,484,695 | \$2,987,311 |
| Debt | \$2,497,172 (6) | \$20,530,000 | \$1,849,871 | \$1,590,474 | \$5,122,483 | \$16,758,701 | \$2,655,400 | \$7,286,300 | \$5,079,017 |
| Debt to revenue ratio* | 96% (5) | 143% | 79% | 80% | 98% | 207% | 135% | 120% | 116% |

[^] All data is from 2019 Annual reports unless otherwise indicated

*To enable comparisons, revenue, operating expenses, and debt numbers for Mississauga and Brampton includes Peel Region, allocated to each lower-tier municipality based on population share

**For Comparison purposes to remove Toronto's outside impact on the average

Jurisdictional Analysis | Sources of Revenue

9.16

- 1 Jurisdictional comparisons suggest that Mississauga is broadly in line with comparator jurisdictions; however the numbers below do not account for differences in the composition of each City's tax base and as such, should only be used for directional guidance
- 2 The Municipal Land Transfer Tax generates almost 8.5% of Toronto's own-source revenues, reducing their overall reliance on property taxes

Normalized Own Source Revenue by Category (\$,000)

| Category | Mississauga | | Toronto [^] | | Brampton | | Hamilton | | Calgary | | Montreal | | Vancouver | |
|--|-------------|--------|----------------------|--------|-----------|--------|-------------|--------|-------------|--------|-------------|--------|-------------|--------|
| | \$ | % | \$ | % | \$ | % | \$ | % | \$ | % | \$ | % | \$ | % |
| Taxation | \$550,983 | 59.85% | \$4,410,000 | 46.56% | \$487,002 | 69.49% | \$917,126 | 67.78% | \$2,088,755 | 52.50% | \$3,804,486 | 60.07% | \$873,498 | 50.14% |
| Municipal Accommodation Tax* | \$12,152 | 1.32% | \$58,000 | 0.61% | \$- | 0.00% | \$- | 0.00% | \$- | 0.00% | \$- | 0.00% | \$- | 0.00% |
| User charges | \$292,332 | 31.75% | \$3,581,762 | 37.82% | \$157,360 | 22.45% | \$357,176 | 26.40% | \$1,436,265 | 36.10% | \$2,182,234 | 34.46% | \$797,519 | 45.78% |
| Investment income | \$43,607 | 4.74% | \$335,000 | 3.54% | \$27,197 | 3.88% | \$37,598 | 2.78% | \$198,927 | 5.00% | \$167,133 | 2.64% | \$49,070 | 2.82% |
| Penalties and interest on taxes | \$10,806 | 1.17% | \$218,477 | 2.31% | \$29,245 | 4.17% | \$29,938 | 2.21% | \$98,646 | 2.48% | \$179,463 | 2.83% | \$22,152 | 1.27% |
| City Share Of Government Enterprise Earnings | \$10,758 | 1.17% | \$69,000 | 0.73% | \$- | 0.00% | \$11,262 | 0.83% | \$156,162 | 3.92% | \$- | 0.00% | \$- | 0.00% |
| Municipal Land Transfer Tax | \$- | 0.00% | \$799,000 | 8.44% | \$- | 0.00% | \$- | 0.00% | \$- | 0.00% | \$- | 0.00% | \$- | 0.00% |
| Total** | \$920,638 | | \$9,471,239 | | \$700,804 | | \$1,353,100 | | \$3,978,755 | | \$6,333,316 | | \$1,742,239 | |

*Brampton is currently preparing for the implementation of a Municipal Accommodation Tax; Hamilton approved a Municipal Accommodation Tax in 2020. Calgary, Montreal and Vancouver all have one but do not report revenue raised separately

**Data presented on this page is own-source revenues only, and differs from the data on the previous slide due to exclusion of Peel Region's revenue for Brampton and Mississauga, and the exclusion of transfers from other levels of government and one-time revenues for all municipalities

[^]In the absence of the Land Transfer Tax, Toronto would generate 50.8% of its revenue from taxation and 41.3% from User charges

Analysis of Revenue Tools



Summary of Tools Mississauga With Current Authority under Municipal Act 9.16

Revenue tools that can be implemented under Mississauga’s current authority come with their own barriers to implementation; however, Mississauga can begin the process to implement immediately

| ID | Name Of Tool | Brief Description | Barriers To Implementation |
|-----|---------------------------------|---|--|
| 1-1 | Vacant Homes Tax | A tax charged to homeowners that leave their units un-occupied or idle for most of the year. | Provincial approval (through a regulation) would be required. The City would need to define the term vacant and the various carve-outs to minimize unintended consequences. |
| 1-2 | Incremental Property Tax Levies | Special levy on property tax that is used to fund a specific purpose and is presented as a separate line item on the property tax bill. | Incremental levies should be considered in the context of the overall property tax burden in a given municipality and for each property class. |
| 1-3 | Landfill Levy | Levy used to encourage recycling by putting a price for every tonne of waste that is sent to the landfill. | Would require co-operation with Peel Region and the creation of a separate pricing tier for Mississauga residents if the other municipalities in the Region do not also implement the same levies. |
| 1-4 | Ride Sharing Fees | A fee on ride sharing services such as Uber and Lyft; either a flat rate per trip or a percentage of the total fare. | Users, drivers and operators of Transportation Network Company (TNC) services could push back as increased fares would negatively impact the drivers and the TNC's finances through these increased fares. |

Summary of Tools Mississauga Can Implement With Same Authority As Toronto

9.16

If given the same authority as the City of Toronto, Mississauga would have a number of additional options to raise revenue, some of which lend themselves to a regional approach to minimize tax avoidance through behavioural change

| ID | Name Of Tool | Brief Description | Barriers To Implementation |
|-----|--------------------------|--|--|
| 2-1 | Land Transfer Tax | Taxes payable on transfers of land ownership; Most Land Transfer Taxes in Canada are progressive, increasing with the value of the home. | Rates and brackets will need to be defined; exemptions might need to be created to avoid impacting first time buyers and/or dense developments. |
| 2-2 | Vehicle Registration Tax | A fee charged on the registration of a vehicle within a jurisdiction, usually in addition to a similar fee at the Provincial level. | Rates will need to be defined. |
| 2-3 | Amusement Tax | A levy on the sale of all tickets to entertainment facilities. Could also be applied to any sort of amusement related facilities or events (e.g. annual exhibitions and amusement rides) | Likely requires a regional approach to minimize behavioural changes that will push consumers outside Mississauga. |
| 2-4 | Advertising Tax | Sales tax on outdoor advertisements that are within City limits such as Billboards. | Rates will need to be defined at a level that generates revenue without significantly impacting sales. |
| 2-5 | Alcoholic Beverage Tax | A tax that would be added on-top of all alcohol sales within the City limits, can be imposed at a retail, and/or at establishments licensed by Ontario's liquor board. | Likely requires a regional approach to minimize behavioural changes that will push consumers outside Mississauga. |
| 2-6 | Tobacco Taxes | A tax on all related tobacco items being sold within City limits, collected at point of sale. | Likely requires a regional approach to minimize behavioural changes that will push consumers outside Mississauga; potential to push consumers to contraband tobacco. |

High Level View Of All Tools

9.16

| ID | Name Of Tool | Implementation Complexity* | Time To Implement in Months | Can this tax be used for general purposes? | Shared with Region? | Potential Financial Value | Key Assumptions |
|-----|---------------------------------|----------------------------|-----------------------------|--|---------------------|---------------------------|---|
| 2-1 | Land Transfer Tax | M | 12 | Y, can be used for general purposes | N | \$76,143,000 | Per 1% on all values, exempting first time buyers |
| 2-2 | Vehicle Registration Tax | M | 12 | Y, can be used for general purposes | N | \$39,508,000 | \$45 flat fee per vehicle registered |
| 2-5 | Alcoholic Beverage Tax | H | 18 | Y, can be used for general purposes | N | \$5,729,000 | Per 1% tax on alcohol at all points of sale |
| 1-1 | Vacant Homes Tax | M | 12 | Y, can be used for general purposes | Y | \$4,216,000 | Revenue and ongoing costs shared between City (1/3) and Region (2/3) |
| 1-2 | Incremental Property Tax Levies | L | 3 | N, should be used for a specific special purpose | N | \$4,092,000 | Per 1% increase |
| 2-6 | Tobacco Taxes | M | 12 | Y, can be used for general purposes | N | \$3,259,000 | Per 1% on each package sold |
| 2-4 | Advertising Tax | L | 6 | Y, can be used for general purposes | N | \$2,600,000 | 2015 City of Mississauga estimate |
| 1-4 | Ride Sharing Fees | L | 3 | N, should be used for a specific special purpose | N | \$1,000,000 | Per \$0.10 per ride increase; estimated revenue is incremental to current ride-sharing fees |
| 2-3 | Amusement Tax | H | 18 | Y, can be used for general purposes | N | \$913,000 | Per 1% tax on all amusements |
| 1-3 | Landfill Levy | M | 12 | N, should be used for a specific special purpose | N | \$818,410 | Per1% increase |

*Low implementation complexity: use existing collection methods and no negotiation/approval of outside parties required; Medium implementation complexity requires agreement and/or negotiation with a third party; High implementation complexity also requires defining exceptions and/or developing collection/compliance audit mechanism

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